

JUL 24 1996

Attachment 4.19-A

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State Plan Under Title XIX of the Social Security Act
Medical Assistance Program
State: NORTH CAROLINA

Payments for Medical and Remedial Care and Services: Inpatient Hospital
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During the process of estimating costs on a claim by claim basis, all costs were inflated to State Fiscal Year 1994 using the North Carolina hospital market basket rates of 5.1% for SFY 1993 and 4.7% for SFY 1994. For routine services, this was done by inflating the per diem rate from the cost report fiscal year to SFY 1994. For example:

Assume a routine per diem of \$600 with a hospital cost report fiscal year end of 12/31/93 and an inflation rate of 4.4% per annum.

June 31, 1994 - December 31, 1993 = 181 days

$\$600 * (1 + (181/365 * 0.047)) = \613.98

For ancillary services, the starting point for any inflation adjustment is the date of service on the claim. This practice assumes that hospitals regularly increase their ancillary charges in response to increased costs, such that the use of the cost to charge ratio from last year's cost report applied to this year's charge should result in a close approximation of costs.

The costs for all ancillary service line items on all claims were adjusted to the midpoint of SFY 1994 (January 1, 1994) using the NC Hospital market basket rates². For example:

- 1) Assume that the discharge date on a claim is 12/15/93, with charges of \$600:

January 1, 1994 - July 15, 1993 = 199 days

$\$600 * (1 + (199/365) * .047) = \615.37

- 2) Assume that the discharge date on a claim is 3/15/94, with charges of \$600:

January 1, 1994 - March 15, 1994 = -73 days

$\$600 * (1 + (-73/365) * .047) = \594.36

²Cost estimates for claims with dates of service after the fiscal year midpoint were deflated back to January 1, 1994. However, to avoid biases due to completion rates, we ultimately decided not to use these claims in rate setting.

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Exhibit 5.1

North Carolina DRG Project Data Model

Option 1: Statewide DRG Rates

Hospitals below 45th Percentile Receive 75/25 Blend of their Rate and 45th %ile Rate

Transfers: Prorated

Combined Operating & Capital Rate

Hospitals above 45th Percentile Receive 45th %ile Rate with Medical Education Adjustments

Stat. Outliers: Included

Transplant DRGs: Included

Psych/Rehab: Excluded

Provider Number	Provider Name	IME Factor	DME Factor	No. of Disch	No. of Days	Medicaid Cost	Cost Less Med Ed	Proj. Decline In Days	Routine Daily Cost	DRG Cost Less Med Ed	Vers. 12 CMI	Cost per CMI-Adj Disch	Less Outl @ 7.2%	Base Rate	Rate with Med Ed
a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1% 3400045	Blowing Rock Hospital			7	16	7,759	7,759	1.3	\$220.23	7,473	0.9546	1,118	\$1,038	1,394	1,394
2% 3400101	Bertie Memorial Hospital			39	144	78,831	78,831	11.5	\$280.20	75,609	1.2387	1,565	\$1,452	1,705	1,705
3% 3400054	District Memorial Hospital			89	242	123,998	123,998	19.4	\$232.03	119,497	1.0475	1,653	\$1,534	1,766	1,766
3% 3400036	Franklin Regional Medical Ctr			113	410	236,664	236,664	32.8	\$294.09	227,018	1.1421	1,759	\$1,632	1,840	1,840
4% 3400038	Beaufort County Hospital			197	752	432,342	432,342	60.2	\$379.24	409,511	1.1332	1,834	\$1,702	1,892	1,892
5% 3400044	Alleghany County Hospital			71	181	108,340	108,340	14.5	\$393.80	102,630	0.7543	1,916	\$1,778	1,949	1,949
6% 3400022	Bladen County Hospital			385	1,093	593,042	593,042	87.4	\$321.28	564,962	0.7373	1,990	\$1,847	2,001	2,001
7% 3400063	Montgomery Memorial Hospital			260	728	375,589	375,589	58.2	\$353.06	355,041	0.6786	2,012	\$1,867	2,016	2,016
8% 3400097	Hugh Chatham Memorial			143	443	246,358	246,358	35.4	\$278.73	236,491	0.8133	2,033	\$1,887	2,031	2,031
8% 3400089	Pungo District Hospital			99	325	204,911	204,911	26.0	\$397.85	194,566	0.9624	2,042	\$1,895	2,037	2,037
9% 3400124	Good Hope Hospital			75	411	194,098	194,098	32.9	\$308.88	183,936	1.1932	2,055	\$1,907	2,046	2,046
10% 3400120	Duplin General Hospital			472	1,321	676,473	676,473	105.7	\$317.95	642,866	0.6538	2,083	\$1,933	2,065	2,065
11% 3400072	Ashe Memorial Hospital			151	441	271,123	271,123	35.3	\$257.29	262,040	0.8253	2,103	\$1,951	2,079	2,079
12% 3400013	Rutherford County Hospital			658	1,729	959,388	959,388	138.3	\$310.08	916,504	0.6545	2,128	\$1,975	2,097	2,097
13% 3400035	Richmond Memorial Hospital			588	1,703	905,815	905,815	136.2	\$298.33	865,183	0.6877	2,139	\$1,985	2,104	2,104
14% 3400017	Pardee Memorial Hospital			377	1,465	788,842	788,842	117.2	\$316.66	751,729	0.9319	2,140	\$1,986	2,104	2,104
14% 3400148	Medical Park Hospital			20	90	79,974	79,974	7.2	\$321.03	77,662	1.8003	2,157	\$2,002	2,116	2,116
15% 3400132	Maria Parham Hospital			810	1,818	1,089,200	1,089,200	145.4	\$311.03	1,043,977	0.7904	2,165	\$2,009	2,122	2,122
16% 3400106	Hamlet Hospital			149	558	316,838	316,838	44.8	\$284.02	304,171	0.9394	2,173	\$2,017	2,128	2,128
17% 3400052	Davie County Hospital			37	150	85,897	85,897	12.0	\$298.13	82,320	1.0237	2,173	\$2,017	2,128	2,128
18% 3400015	Rowan Memorial Hospital			1,032	3,140	1,609,749	1,609,749	251.2	\$384.51	1,513,160	0.6685	2,193	\$2,035	2,142	2,142
19% 3400093	Pender Memorial Hospital			75	312	175,080	175,080	25.0	\$252.85	168,759	1.0205	2,205	\$2,046	2,150	2,150
19% 3400090	Johnston Memorial Hospital			662	2,183	1,107,285	1,107,285	174.6	\$288.58	1,056,899	0.7185	2,222	\$2,062	2,162	2,162
20% 3400085	Community General Hospital			593	1,914	964,121	964,121	153.1	\$264.86	923,571	0.7000	2,225	\$2,065	2,164	2,164
21% 3400122	Our Community Hospital			1	4	3,311	3,311	0.3	\$566.88	3,141	1.3904	2,259	\$2,096	2,187	2,187
22% 3400065	Chowan Hospital			476	1,442	735,490	735,490	115.4	\$329.56	697,459	0.6495	2,256	\$2,094	2,185	2,185
23% 3400003	Northern Hospital of Surry			434	1,244	755,036	755,036	99.5	\$308.49	724,342	0.7351	2,270	\$2,107	2,196	2,196
24% 3400080	Sloop Memorial Hospital			131	363	216,893	216,893	29.0	\$363.29	206,358	0.6918	2,277	\$2,113	2,200	2,200
25% 3400068	Columbus County Hospital			929	2,820	1,722,173	1,722,173	225.6	\$258.83	1,663,781	0.7833	2,286	\$2,122	2,207	2,207
25% 3400159	Person County Hospital			50	218	142,661	142,661	17.4	\$298.89	137,460	1.1989	2,297	\$2,132	2,214	2,214
26% 3400007	Annie Penn Memorial Hosp			436	1,714	833,003	833,003	137.1	\$251.09	798,579	0.7913	2,315	\$2,148	2,226	2,226
27% 3400075	Grace Hospital			742	2,387	1,239,311	1,239,311	191.0	\$364.18	1,169,752	0.6779	2,326	\$2,158	2,234	2,234
28% 3400099	Roanoke Chowan Hospital			947	3,824	1,711,259	1,711,259	305.9	\$224.25	1,642,661	0.7410	2,341	\$2,172	2,245	2,245
29% 3400020	Central Carolina Hospital			688	1,933	1,188,370	1,188,370	154.8	\$288.38	1,143,787	0.7051	2,356	\$2,188	2,256	2,256
30% 3400119	Stanly Memorial Hospital			429	1,348	859,084	859,084	107.8	\$337.52	822,700	0.8072	2,376	\$2,205	2,269	2,269
31% 3400037	Kings Mountain Hospital			60	325	149,235	149,235	26.0	\$320.18	140,911	0.9814	2,393	\$2,221	2,281	2,281
31% 3400019	Stokes Reynolds Memorial Hosp			50	256	150,340	150,340	20.5	\$285.88	144,480	1.2068	2,395	\$2,222	2,282	2,282
32% 3400098	Lexington Memorial			558	1,243	931,899	931,899	99.4	\$431.60	888,998	0.6637	2,400	\$2,227	2,286	2,286
33% 3400016	C.J. Harris Community Hospital			791	2,220	1,372,653	1,372,653	177.6	\$317.71	1,316,228	0.6895	2,413	\$2,239	2,295	2,295
34% 3400084	Anson County Hospital			101	390	256,393	256,393	31.2	\$392.21	244,156	0.9878	2,448	\$2,271	2,319	2,319
35% 3400011	Blue Ridge Hospital System			205	556	420,850	420,850	44.5	\$329.47	406,189	0.8024	2,469	\$2,292	2,334	2,334
36% 3400145	Lincoln County Hospital			679	2,049	1,221,480	1,221,480	163.9	\$361.61	1,162,212	0.6878	2,489	\$2,310	2,347	2,347
36% 3400121	Dosher Memorial Hospital			44	186	119,701	119,701	14.9	\$385.42	113,958	1.0390	2,493	\$2,313	2,350	2,350
37% 3400071	Betsy Johnson Memorial			602	1,988	1,168,977	1,168,977	159.0	\$298.72	1,121,481	0.7436	2,505	\$2,325	2,359	2,359
38% 3400024	Sampson County Memorial			622	2,155	1,269,002	1,269,002	172.4	\$364.93	1,206,088	0.7644	2,537	\$2,354	2,381	2,381

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Payments for Medical and Remedial Care and Services: Inpatient Hospital

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Exhibit 5.1

Psych/Rehab: Excluded

Provider Number	Provider Name	IME Factor	DME Factor	No. of Disch	No. of Days	Medicaid Cost	Cost Less Med Ed	Proj. Decline in Days	Routine Daily Cost	DRG Cost Less Med Ed	Vers. 12 CMI	Cost per CMI-Adj Disch	Less Outl @ 7.2%	Base Rate	Rate with Med Ed
a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
39%	3400127			286	878	616,778	616,778	70.2	\$324.06	594,029	0.8103	2,563	\$2,379	2,399	2,399
40%	3400042			1,046	3,496	2,198,916	2,198,916	279.7	\$364.67	2,096,918	0.7789	2,574	\$2,388	2,407	2,407
41%	3400018			15	43	37,718	37,718	3.4	\$373.05	36,450	0.9418	2,580	\$2,394	2,411	2,411
42%	3400129			135	524	335,844	335,844	41.9	\$297.30	323,387	0.9167	2,613	\$2,425	2,434	2,434
42%	3400031			36	157	119,939	119,939	12.6	\$402.13	114,872	1.2090	2,639	\$2,449	2,452	2,452
43%	3400021			1,011	3,448	2,121,168	2,121,168	275.8	\$415.62	2,008,540	0.7514	2,841	\$2,451	2,454	2,454
44%	3400111			21	76	60,651	60,651	6.1	\$403.47	58,190	1.0465	2,648	\$2,457	2,458	2,458
45%	3400028			1,278	5,192	3,720,968	3,720,968	415.4	\$325.67	3,585,584	1.0422	2,692	\$2,498	2,461	2,461
46%	3400115			477	1,585	1,026,348	1,026,348	126.8	\$343.79	982,756	0.7544	2,731	\$2,534	2,461	2,461
47%	3400160			191	556	419,532	419,532	44.5	\$315.62	405,487	0.7680	2,764	\$2,565	2,461	2,461
48%	3400060			516	1,722	1,118,894	1,118,894	137.8	\$256.39	1,083,563	0.7535	2,787	\$2,586	2,461	2,461
49%	3400112			73	307	182,679	182,679	24.8	\$294.37	175,438	0.8560	2,807	\$2,605	2,461	2,461
50%	3400051			389	1,117	849,393	849,393	89.4	\$360.01	817,208	0.7432	2,827	\$2,623	2,461	2,461
51%	3400069			3,488	14,635	10,209,114	9,625,032	1170.8	\$379.38	9,180,854	0.9305	2,829	\$2,625	2,461	2,608
52%	3400126			1,200	3,997	2,694,684	2,694,684	318.8	\$327.22	2,590,039	0.7617	2,834	\$2,630	2,461	2,461
53%	3400040			3,567	17,926	16,747,298	12,741,021	1434.1	\$514.30	12,003,463	1.1857	2,838	\$2,634	2,461	3,190
53%	3400034			668	2,265	1,608,161	1,608,161	181.2	\$387.38	1,537,968	0.7560	3,045	\$2,826	2,461	2,461
54%	3400006			41	127	114,222	114,222	10.2	\$506.87	109,052	0.9311	2,856	\$2,651	2,461	2,461
55%	3400010			1,202	4,880	2,977,427	2,977,427	390.4	\$308.52	2,856,980	0.8319	2,857	\$2,651	2,461	2,461
56%	3400166			154	573	515,494	515,494	45.8	\$548.78	490,361	1.1137	2,859	\$2,653	2,461	2,461
57%	3400131			1,249	4,970	3,101,950	3,101,950	397.8	\$322.01	2,973,919	0.8316	2,863	\$2,657	2,461	2,461
58%	3400055			231	836	653,764	653,764	66.9	\$373.56	628,772	0.9487	2,869	\$2,663	2,461	2,461
58%	3400023			390	1,086	735,893	735,893	86.9	\$402.12	700,949	0.6229	2,885	\$2,678	2,461	2,461
59%	3400151			1,348	4,719	3,040,497	3,040,497	377.5	\$335.66	2,913,785	0.7423	2,912	\$2,702	2,461	2,461
60%	3400064			718	2,257	1,505,742	1,505,742	180.6	\$323.51	1,447,316	0.6940	2,912	\$2,703	2,461	2,461
61%	3400087			272	853	619,272	619,272	68.2	\$408.83	591,526	0.7424	2,929	\$2,718	2,461	2,461
62%	3400050			1,788	7,361	4,490,982	4,490,982	588.9	\$240.70	4,349,233	0.8289	2,935	\$2,723	2,461	2,461
63%	3400130			843	2,549	1,689,333	1,689,333	203.9	\$382.33	1,591,376	0.6401	2,949	\$2,737	2,461	2,461
64%	3400088			238	710	521,365	521,365	56.8	\$247.61	507,301	0.7094	3,005	\$2,788	2,461	2,461
64%	3400109			686	2,547	1,576,499	1,576,499	203.8	\$285.43	1,518,329	0.7307	3,029	\$2,811	2,461	2,461
65%	3400147			1,098	4,692	3,246,142	3,246,142	375.4	\$294.64	3,135,534	0.9253	3,086	\$2,864	2,461	2,461
66%	3400104			2	9	4,667	4,667	0.7	\$274.48	4,475	0.7214	3,101	\$2,878	2,461	2,461
67%	3400027			1,191	4,912	3,063,743	3,063,743	393.0	\$336.00	2,931,695	0.7944	3,099	\$2,875	2,461	2,461
68%	3400053			513	2,341	1,966,394	1,966,394	187.3	\$497.97	1,873,124	1.1734	3,112	\$2,888	2,461	2,461
69%	3400039			692	2,379	1,814,368	1,814,368	190.3	\$440.73	1,730,497	0.8006	3,124	\$2,899	2,461	2,461
69%	3400158			264	899	636,064	636,064	71.9	\$381.46	608,637	0.7371	3,128	\$2,903	2,461	2,461
70%	3400041			602	1,762	1,391,438	1,391,438	141.0	\$377.11	1,338,265	0.7086	3,137	\$2,911	2,461	2,461
71%	3400047			1,805	13,833	15,594,040	10,832,847	1106.6	\$363.25	10,406,743	1.8307	3,150	\$2,923	2,461	3,475
72%	3400014			3,090	13,003	9,164,320	8,809,053	1040.2	\$336.52	8,459,005	0.8674	3,156	\$2,929	2,461	2,560
73%	3400004			1,469	5,518	3,955,418	3,955,418	441.4	\$360.66	3,796,223	0.8010	3,228	\$2,994	2,461	2,461
74%	3400143			976	2,751	2,467,864	2,467,864	220.1	\$445.53	2,369,803	0.7472	3,250	\$3,016	2,461	2,461
75%	3400009			2	5	6,368	6,368	0.4	\$683.72	8,095	0.9355	3,258	\$3,023	2,461	2,461
75%	3400146			4	17	18,976	18,976	1.4	\$878.96	17,748	1.3550	3,275	\$3,039	2,461	2,461
76%	3400032			1,633	5,976	4,285,104	4,285,104	478.1	\$361.84	4,112,108	0.7823	3,303	\$3,068	2,461	2,461

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Provider Number	Provider Name	IME Factor	DME Factor	No. of Disch	No. of Days	Medicaid Cost	Cost Less Med Ed	Proj. Decline In Days	Routine Daily Cost	DRG Cost Less Med Ed	Vers. 12 CMI	Cost per CMI-Adj Disch	Less Out @ 7.2%	Base Rate	Rate with Med Ed
77% 3400012	Angel Community Hospital			88	409	280,544	280,544	32.7	\$374.37	268,302	0.9214	3,309	\$3,071	2,461	2,461
78% 3400142	Carteret General Hospital			562	2,179	1,563,094	1,563,094	174.3	\$287.98	1,512,899	0.8123	3,314	\$3,076	2,461	2,461
79% 3400005	C.A. Cannon Memorial Hospital			104	443	342,397	342,397	35.4	\$292.96	332,027	0.9601	3,325	\$3,086	2,461	2,461
80% 3400105	St. Joseph's Hospital	0.0081	0.0031	278	1,641	1,628,452	1,610,322	131.3	\$404.82	1,557,169	1.6502	3,394	\$3,150	2,461	2,489
81% 3400141	New Hanover Memorial Hospital	0.0609	0.0113	2,422	9,810	6,279,062	7,716,713	784.8	\$374.43	7,422,860	0.9024	3,396	\$3,152	2,461	2,639
81% 3400034	Alamance County Hospital			668	2,265	1,608,161	1,608,161	181.2	\$362.29	1,542,514	0.7560	3,054	\$2,834	2,461	2,461
82% 3400164	Highsmith-Rainey Hospital			191	1,216	1,030,803	1,030,803	87.3	\$436.46	968,336	1.5023	3,444	\$3,196	2,461	2,461
83% 3400116	Frye Regional Medical Center			312	1,439	1,416,275	1,416,275	115.1	\$358.82	1,375,205	1.2716	3,466	\$3,217	2,461	2,461
84% 3400114	Rex Hospital			172	897	779,302	779,302	71.8	\$366.92	752,957	1.2600	3,474	\$3,224	2,461	2,461
85% 3400030	Duke Univ Medical Center	0.3681	0.0512	3,233	21,462	23,673,724	16,461,360	1717.0	\$442.73	15,701,193	1.3967	3,477	\$3,227	2,461	3,493
86% 3400144	Davis Hospital			536	1,537	1,272,845	1,272,845	123.0	\$390.56	1,224,808	0.8564	3,481	\$3,231	2,461	2,461
86% 3400155	Durham Regional Hospital	0.0483	0.0100	1,061	4,811	3,884,115	3,668,490	384.9	\$389.10	3,518,725	0.9502	3,490	\$3,239	2,461	2,604
87% 3400098	Mercy Hospital			353	1,651	1,551,913	1,551,913	132.1	\$436.08	1,494,042	1.2124	3,491	\$3,239	2,461	2,461
88% 3400091	Moses Cone Memorial	0.0357	0.0183	2,756	12,919	10,316,488	9,781,331	1033.5	\$427.89	9,339,106	0.9707	3,491	\$3,240	2,461	2,594
89% 3400002	Memorial Mission Hospital	0.0445	0.0067	2,436	11,025	9,782,416	9,284,287	882.0	\$458.71	8,879,704	1.0322	3,532	\$3,277	2,461	2,587
90% 3400107	Heritage Hospital			892	3,589	2,391,991	2,391,991	287.1	\$359.81	2,288,747	0.7270	3,529	\$3,275	2,461	2,461
91% 3400006	Scotland Health Group			950	4,785	2,780,168	2,780,168	382.8	\$371.72	2,637,874	0.7769	3,574	\$3,317	2,461	2,461
92% 3400162	Community Hospital-Rocky Mou			66	490	392,420	392,420	39.2	\$327.61	379,578	1.6028	3,588	\$3,330	2,461	2,461
92% 3400123	Randolph Hospital			384	992	966,715	966,715	79.4	\$414.60	933,795	0.6764	3,595	\$3,336	2,461	2,461
93% 3400067	Alexander County Hospital			42	133	158,460	158,460	10.6	\$460.69	153,577	1.0169	3,596	\$3,337	2,461	2,461
94% 3400125	Wesley Long Community			162	671	555,978	555,978	63.7	\$421.52	533,342	0.9121	3,610	\$3,350	2,461	2,461
95% 3400061	UNC Hospital	0.3813	0.0882	3,391	21,779	27,761,047	18,469,070	1742.3	\$503.30	17,592,170	1.4280	3,638	\$3,378	2,461	3,618
96% 3400094	Cape Fear Memorial			132	543	523,075	523,075	43.4	\$401.95	505,631	1.0402	3,683	\$3,417	2,461	2,461
97% 3400153	Orthopedic Hospital			29	163	259,185	259,185	13.0	\$425.65	253,652	2.3051	3,794	\$3,521	2,461	2,461
97% 3400113	Carolinas Medical	0.1420	0.0481	4,932	25,978	25,313,786	21,149,772	2078.2	\$408.59	20,300,640	1.0620	3,804	\$3,530	2,461	2,929
98% 3400001	Cabarrus Memorial Hospital			1,036	3,565	3,415,370	3,415,370	285.2	\$351.84	3,315,025	0.8334	3,840	\$3,563	2,461	2,461
99% 3400073	Raleigh Community Hospital			119	599	630,422	630,422	47.9	\$536.17	604,740	1.2598	4,034	\$3,744	2,461	2,461
100% 3400133	Martin General Hospital			163	641	567,625	567,625	51.3	\$417.09	546,228	0.7958	4,211	\$3,908	2,461	2,461
9999999	Out-of-State													2,461	2,461

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§ 108A-55. Payments.

(a) The Department may authorize, within appropriations made for this purpose, payments of all or part of the cost of medical and other remedial care for any eligible person when it is essential to the health and welfare of such person that such care be provided, and when the total resources of such person are not sufficient to provide the necessary care. When determining whether a person has sufficient resources to provide necessary medical care, there shall be excluded from consideration the person's primary place of residence and the land on which it is situated, and in addition there shall be excluded real property contiguous with the person's primary place of residence in which the property tax value is less than twelve thousand dollars (\$12,000).

(b) Payments shall be made only to intermediate care facilities, hospitals and nursing homes licensed and approved under the laws of the State of North Carolina or under the laws of another state, or to pharmacies, physicians, dentists, optometrists or other providers of health-related services authorized by the Department. Payments may also be made to such fiscal intermediaries and to the capitation or prepaid health service contractors as may be authorized by the Department. Arrangements under which payments are made to capitation or prepaid health services contracts are not subject to the provisions of Chapter 58 of the General Statutes or of Article 3 of Chapter 143 of the General Statutes.

(c) The Department shall reimburse providers of services, equipment, or supplies under the Medical Assistance Program in the following amounts:

- (1) The amount approved by the Health Care Financing Administration of the United States Department of Health and Human Services, if that Administration approves an exact reimbursement amount;
- (2) The amount determined by application of a method approved by the Health Care Financing Administration of the United States Department of Health and Human Services, if that Administration approves the method by which a reimbursement amount is determined, and not the exact amount.

The Department shall establish the methods by which reimbursement amounts are determined in accordance with Chapter 150B of the General Statutes. A change in a reimbursement amount becomes effective as of the date for which the change is approved by the Health Care Financing Administration of the United States Department of Health and Human Services.

(d) No payments shall be made for the care of any person in a nursing home or intermediate care home which is owned or operated in whole or in part by a member of the Social Services Commission, of any county board of social services, or of any board of county commissioners, or by an official or employee of the Department or of any county department of social services or by a spouse of any such person. (1965, c. 1173, s. 1; 1969, c. 546, s. 1; 1971, c. 435; 1973, c. 476, s. 138; c. 644; 1975, c. 123, ss. 1, 2; 1977, 2nd Sess., c. 1219, c. 25; 1979, c. 702, s. 7; 1981, c. 275, s. 1; c. 849, s. 2; 1991, c. 388, s. 1; 1993, c. 529, s. 7.3.)

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.0406 DEDUCTIBLE

(a) Deductible shall apply to a client in the following arrangements:

- (1) In the community, in private living quarters; or
- (2) In a residential group facility; or
- (3) In a long term care living arrangement when the client:
 - (A) Has enough income monthly to pay the Medicaid reimbursement rate for 31 days, but does not have enough income to pay the private rate plus all other anticipated medical costs; or
 - (B) Is under a sanction due to a transfer of resources as specified in Rule .0312 of this Subchapter; or
 - (C) Does not yet have documented prior approval for Medicaid payment of nursing home care; or
 - (D) Resided in a newly certified facility in the facility's month of certification; or
 - (E) Chooses to remain in a decertified facility beyond the last date of Medicaid payment; or
 - (F) Is under a Veterans Administration (VA) contract for payment of cost of care in the nursing home.

(b) The client or his representative shall be responsible for providing bills, receipts, insurance benefit statements or Medicare EOB to establish incurred medical expenses and his responsibility for payment. If the client has no representative and he is physically or mentally incapable of accepting this responsibility, the county shall assist him.

(c) Expenses shall be applied to the deductible when they meet the following criteria:

- (1) The expenses are for medical care or service recognized under state or federal tax law;
- (2) The are incurred by a budget unit member;
- (3) They are incurred:
 - (A) During the certification period for which eligibility is being determined and the requirements of Paragraph (d) of this Rule are met; or
 - (B) Prior to the certification period and the requirements of Paragraph (e) of this Rule are met.

(d) Medical expenses incurred during the certification period shall be applied to the deductible if the requirements in Paragraph (c) of this Rule are met and:

- (1) The expenses are not subject to payment by any third party including insurance, government agency or program except when such program is entirely funded by state or local government funds, or private source; or
- (2) The private insurance has not paid such expenses by the end of the application time standard; or
- (3) For certified cases, the insurance has not paid by the time that incurred expenses equal the deductible amount; or
- (4) The third party has paid and the client is responsible for a portion of the charges.

(e) The unpaid balance of a Medical expense incurred prior to the certification period shall be applied to the deductible if the requirements in Paragraph (c) of this Rule are met and:

- (1) The medical expense was:
 - (A) Incurred within 24 months immediately prior to:
 - (i) The month of application for prospective or retroactive certification period or both; or
 - (ii) The first month of any subsequent certification period; or

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- (B) Incurred prior to the period described in Subparagraph (e)(1)(A) of this Rule; and a payment was made on the bill during that period; and
- (2) The medical expense:
 - (A) Is a current liability;
 - (B) Has not been applied to a previously met deductible; and
 - (C) Insurance has paid any amount of the expense covered by the insurance.
- (f) Incurred medical expenses shall be applied to the deductible in chronological order of charges except that:
 - (1) If medical expenses for Medicaid covered services and non-covered services occur on the same date, apply charges for non-covered services first; and
 - (2) If both hospital and other covered medical services are incurred on the same date, apply hospital charges first; and
 - (3) If a portion of charges is still owed after insurance payment has been made for lump sum charges, compute incurred daily expense to be applied to the deductible as follows:
 - (A) Determine average daily charge excluding discharge date from hospitals; and
 - (B) Determine average daily insurance payment for the same number of days; and
 - (C) Subtract average daily insurance payment from the average daily charge to establish client's daily responsibility.
- (g) Eligibility shall begin on the day that incurred medical expenses reduce the deductible to \$0, except that the client is financially liable for the portion of medical expenses incurred on the first day of eligibility that were applied to reduce the deductible to \$0. If hospital charges were incurred on the first day of eligibility, notice of the amount of those charges applied to meet the deductible shall be sent to the hospital for deduction on the hospital's bill to Medicaid.
- (h) The receipt of proof of medical expenses and other verification shall be documented in the case record.

*History Note: Authority G.S. 108A-54; 42 C.F.R. 435.732; 42 C.F.R. 435.831; Alexander v. Flaherty, U.S.D.C., W.D.N.C., File Number C-C-74-483; Alexander v. Flaherty Consent Order filed February 14, 1992;
Eff. September 1, 1984;
Amended Eff. June 1, 1994; September 1, 1993; April 1, 1993; August 1, 1990.*

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.0407 PATIENT LIABILITY

(a) Patient liability shall apply to clients who live in facilities for skilled nursing, intermediate nursing, intermediate nursing for mental retardation or other medical institutions.

(b) The client's patient liability for cost of care shall be computed as a monthly amount after deducting the following from his total income:

- (1) An amount for his personal needs as established under Rule .0314 of this Subchapter;
- (2) Income given to the community spouse to provide him a total monthly income from all sources, equal to the "minimum monthly maintenance needs allowance" as defined in 42 U.S.C. 1396r-5(d)(3)(A)(i);
- (3) Income given to family members described in 42 U.S.C. 1396r-5(d)(1), to provide each, from all sources of income, a total monthly income equal to:
 - (A) One-third of the amount established under 42 U.S.C. 1396r-5(d)(3)(A)(i); or
 - (B) Where there is no community spouse, an amount for the number of dependents, based on the income level for the corresponding budget unit number, as approved by the NC General Assembly and stated in the Appropriations Act for categorically and medically needy classifications;
- (4) The income maintenance level provided by statute for a single individual in a private living arrangement with no spouse or dependents at home, for whom the physician of record has provided a written statement that the required treatment is such that the patient is expected to return home within six months, shall be allowed;
- (5) An amount for unmet medical needs as determined under Paragraph (f) of this Rule.

(c) Patient liability shall apply to institutional charges incurred from the date of admission or the first day of the month as appropriate and shall not be prorated by days if the client lives in more than one institution during the month.

(d) The county department of social services shall notify the client, the institution and the state of the amount of the monthly liability and any changes or adjustments.

(e) When the patient liability as calculated in Paragraph (b) of this Rule exceeds the Medicaid reimbursement rate for the institution for a 31 day month:

- (1) The patient liability shall be the institution's Medicaid reimbursement rate for a 31 day month;
- (2) The client shall be placed on a deductible determined in accordance with Federal regulations and Rules .0404, .0405 and .0406 of this Subchapter.

(f) The amount deducted from income for unmet medical needs shall be determined as follows:

- (1) Unmet medical needs shall be the costs of:
 - (A) Medical care covered by the program but that exceeds limits on coverage of that care and that is not subject to payment by a third party;
 - (B) Medical care recognized under State and Federal tax law that is not covered by the program and that is not subject to payment by a third party; and
 - (C) Medicare and other health insurance premiums, deductibles, or coinsurance charges that are not subject to payment by a third party.

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- (2) The amount of unmet medical needs deducted from the patient's monthly income shall be limited to monthly charges for Medicare and other health insurance premiums.
- (3) The actual amount of incurred costs which are the patient's responsibility shall be deducted when reported from the patient's liability for one or more months.
- (4) Incurred costs shall be reported by the end of the six month Medicaid certification period following the certification period in which they were incurred.

*History Note: Authority G.S. 108A-54; 42 C.F.R. 435.732; 42 C.F.R. 435.733; 42 C.F.R. 435.831;
42 C.F.R. 435.832; 42 U.S.C. 1396r-5;
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SUBCHAPTER 26K - TITLE XIX APPEALS PROCEDURES

.0001 PURPOSE AND SCOPE

The purpose of these regulations is to specify the rights of providers to appeal reimbursement rates, payment denials, disallowances, payment adjustments and cost settlement disallowances and adjustments. Provider appeals for program integrity action are specified in 10 NCAC 26G.

*History Note: Authority G.S. 108A-25(b); 108A-54; 150B-11; 42 U.S.C. 1396(b);
Eff. January 1, 1988.*

.0002 PETITION FOR RECONSIDERATION REVIEW

(a) A provider may request a reconsideration review within 30 calendar days from receipt of final notification of payment, payment denial, disallowances, payment adjustment, notice of program reimbursement and adjustments and within 60 calendar days from receipt of notice of an institutional reimbursement rate. Final notification of payment, payment denial, disallowances and payment adjustment means that all administrative actions necessary to have a claim paid correctly have been taken by the provider and DMA or the fiscal agent has issued a final adjudication. If no request is received within the respective 30 or 60 day periods, the state agency's action shall become final.

(b) A request for reconsideration review must be in writing and signed by the provider and contain the provider's name, address and telephone number. It must state the specific dissatisfaction with DMA's action and should be mailed to: Appeals, Division of Medical Assistance at the Division's current address.

(c) The provider may appoint another individual to represent him. A written statement setting forth the name, address and telephone number of the representative so designated shall be sent to the above address. The representative may exercise any and all rights given the provider in the review process. Notice of meeting dates, requests for information, hearing decisions, etc. will be sent to the authorized representative. Copies of such documents will be sent to the petitioner only if a written request is made.

*History Note: Authority G.S. 108A-25(b); 108A-54; 150B-11; 42 U.S.C. 1396(b);
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